

Chairman Tom Davis
Committee on Government Reform
“Wasted Space, Wasted Dollars:
Reforming Federal Real Property to Meet 21st Century Needs”
June 5, 2003

Good morning. A quorum being present, the Committee on Government Reform will come to order. I would like to welcome everyone to today's hearing on the current condition of the Federal government's real property holdings and the reforms that could be implemented to revitalize these extensive assets.

The Federal government is one of the world's largest real property holders. Its real estate portfolio has over 3.2 billion square feet in nearly 525,000 buildings, valued at over \$328 billion. Literally hundreds of millions of taxpayers' dollars are spent each year just to maintain these extensive properties. Many Federal properties are in disrepair, lack up-to-date technological infrastructure, are ill-equipped for adequate security protection, and pose health and safety threats to workers and visitors alike. Others are no longer suitable to meet the Federal government's changing mission. For instance, of the 8,000 buildings managed by the General Services Administration (GSA), more than half are over 50 years old and are in deteriorating condition that require an estimated \$5.7 billion in repairs. The State Department alone faces an estimated \$736 million in repairs for deteriorating buildings.

This situation has led the General Accounting Office to include vacant, underutilized, and deteriorating Federal real property on its High Risk Series. GAO finds that the magnitude of this problem puts the government at significant risk for lost revenues and opportunities. Specifically, GAO points to the fact that underutilized or excess property is costly to maintain. For instance, the Department of Defense spends between \$3 and 4 billion annually just for maintenance of unneeded facilities. Also, GAO finds that excess government buildings and land could be put to more cost effective uses, exchanged for more useful property, or sold. Clearly, these findings should concern every American taxpayer.

Every Member of Congress can likely identify at least one Federal property site in his or her district that is either vacant or deteriorating and in need of revitalization. The adverse effects to the agency, the workers of that agency, and the local community are apparent. Reuse would result in enormous benefits. One such example can be found right here in the District of Columbia. The Old General Post Office, occupying the entire block bordered by E, F, Seventh and Eighth Streets, NW near the MCI Center, was built in the 1830's and had fallen into disrepair. In fact, by the 1990's, this national landmark had become a crack house. Then, through Congressional authority granted to GSA, the site was leased to a private entity and transformed into the Hotel Monaco. As I believe you will see in the GSA Administrator's testimony later this morning, its architectural significance has been preserved and restored, the waste of taxpayers' dollars in maintenance has been stopped, and the local community is benefiting from this revitalized area.

We are clearly facing a critical situation in Federal real property management. We must take action to stem this tide of deterioration of Federal buildings and subsequent waste of taxpayer dollars. We cannot just throw more money at the problem. Fiscal responsibility

requires that we also grant agencies alternative property management authority. We must expand agencies' incentives to dispose of unneeded properties and extend their authority to enter into partnerships with the private sector.

Federal agencies are subject to several laws that limit their authority to acquire, manage, and dispose of real property. The GSA has broad responsibility over Federal real property, but its freedom to effectively manage holdings is severely restricted. Other agencies, such as the Department of State, the Department of Veterans Affairs, and the Department of Defense, have separate authority that gives them limited flexibility to outlease or dispose of their property under specific conditions.

GSA and other agencies need broader management authority in order to efficiently and cost-effectively manage their properties. The first step in solving this problem is to require an accurate and updated inventory of all Federal real property and to establish a Real Property Officer in each agency. Improving asset management is consistent with the President's Management Agenda. Next, agencies must be given expanded authority to exchange or transfer property with other Federal agencies, sublease unexpired portions of leased property, and lease out underutilized property. In addition, agencies should be permitted, in appropriate circumstances, to retain the proceeds from disposition of excess real property to meet the agency's capital asset needs.

In the 107th Congress, I cosponsored with Representative Pete Sessions H.R. 3947, the "Federal Property Asset Management Reform Act of 2002," that contained these reforms and provided for adequate Congressional oversight. That bill had bipartisan support in the last Congress and passed out of this Committee. We must continue to pursue solutions to the crisis in Federal property management and disposal.

We had hoped to have The Honorable Pete Sessions (R-TX) as our first witness. Mr. Sessions has been an outspoken advocate for providing authority to agencies to enter into public-private partnerships. But, responsibilities on the House floor this morning prevent him from being here. If he is able to break away during the hearing, we will give him the opportunity to testify.

Our panel will include witnesses from government agencies having responsibility for property management, as well as from the private sector. We will hear from Stephen Perry, Administrator of the General Services Administration; Linda Springer, Controller of the Office of Federal Financial Management, Office of Management and Budget; Bernard Ungar, Director of Physical Infrastructure Issues at the General Accounting Office; Mark Catlett, Principal Deputy Assistant Secretary, Office of the Assistant Secretary for Management of the Department of Veterans Affairs; Major General Charles Williams, Director of Overseas Buildings Operations at the Department of State; and Brent Bitz, representing the Building Owners and Managers Association and Executive Vice President of Charles E. Smith Commercial Realty.

I would like to thank all of our witnesses for appearing before the Committee, and I look forward to their testimony.

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